REMARKS/ARGUMENTS

Amendment to the specification

When the present patent application was filed on September 5, 2000, it was filed with a signed declaration claiming benefit from the provisional application serial No. 60/186,518, filed March 2, 2000. As evidenced by the attached copy of the Official Filing Receipt, the Patent Office has recognized this claim for priority. Thus, the above amendment to the specification is respectfully requested, so that the claim for priority is included in the specification.

Responses to Rejections of Claims

Claims 1-6, 8, 11-13, 16-20 and 25-26 were rejected under 35 USC §102(e) as being anticipated by Luskin et al. (US Patent 5,812,987). See , Office Action, p. 2. Further claims 7, 9, 10, 14, 15, 21, 22, 23 and 24 were rejected under 35 USC §103(a) as being unpatentable over Luskin et al. in view of Jones et al. (US patent 6,021,397). See, Office Action, p. 6. As shown above claims 1-19, and 21-26 have been canceled. These claims are canceled, without prejudice to filing a continuation, in order to expedite prosecution of amended claim 20. The rejection of claim 20 is respectfully traversed, as discussed herein, and reconsideration is requested.

Amended claim 20, shown above, corresponds to the originally filed claim 20, and incorporates elements from its original base independent claim and intervening claims, with some amendment to elements from the intervening claims.

Specifically, as amended claim 20 includes elements derived from base independent claim 1, and intervening dependent claims 13, 17, 18, and 19. In rejecting the original dependent claim 13, the Office Action stated, in part:

> Claim 13: Luskin et al. discloses the step of performing an optimization comprises an iterative non-linear optimization routine (Abstract, Fig. 5A-5D, column 14, lines 63-67 and column 15, lines 1-25).

Office Action, p. 4. In rejecting claims 17, 18, 19, and 20 the Office Action refers to the same areas of Luskin et al. stating, in part:

> Claim 17: Luskin et al. discloses the optimization routine comprises a firs subroutine of attempting to resolve a flat function problem by running the routine with different sets of initial values (Abstract, Fig. 5A-5D, column 14, lines 63-67 and column 15, lines 1-25).

Claim 18: Luskin et al. discloses a function does not optimize with any of the sets of initial values used in the initial step, further comprising a second subroutine of:
taking a solution for a best case (Abstract, Fig. 5A-5D, 6, 8, column 14, lines 63-67 and column 15, lines 1-25) and
re-running the optimization routine including only those investments with nonzero weights (Abstract, Fig. 5A-5D, 6, 8, column 14, lines 63-67 and column 15, lines 1-25).
Claim 19: Luskin et al. discloses an optimal solution is found in the first subroutine, further comprising a third subroutine of re-running the optimization routine to account for minimum investment values (Abstract, Fig. 5A-5D, 6, 8, column 14, lines 63-67 and column 15, lines 1-25)
Claim 20: Luskin et al. discloses an optimal solution is found in the second subroutine, further comprising a third subroutine of re-running the optimization routine to account for minimum investment values (Abstract, Fig. 5A-5D, 6, 8, column 14, lines 63-67 and column 15, lines 1-25).

Office Action, p. 5. It is respectfully submitted that a review of Luskin et al., and in particular the portions of Luskin et al. referred to above, in connection with rejecting claims 13, and 17-20, shows that Luskin et al. does not appear to disclose a number of elements in pending claim 20.

For example, Figs. 5A-5D appear to show graphs showing a risk return relationship for a fund. According to the discussion at col. 6, lines 47-60 of Luskin et al., these graphs show that where there is a long time horizon a higher risk is tolerated, as shown in Fig. 5A. As the time horizon decreases, then the risk is adjusted to be more conservative until a less aggressive investment mix is achieved as shown in Figs. 5B- 5D. However, these graphs do not appear to disclose any methodology related to the operations which lead to the changes in the investment mix, and do appear to disclose or suggest, the elements of the optimizer process recited in claim 20.

Fig. 6 of Luskin et al., which is repeatedly referred to in the Office Action, shows a general flow chart relating to obtaining customer information, and market data, and creating trade lists. However, the optimization procedure, of Fig. 6, is shown as a general box 900 with the text Optimize Portfolio. Little detail regarding the optimizing of the portfolio optimizer is given. Indeed, col. 9, lines 46-64 of Luskin et al. refer to using any commercially available optimizer program. It is respectfully, that this brief reference to an optimizer, certainly does not appear to disclose or suggest specific operation of the present optimization process as recited in claim 20.

Fig. 8 of Luskin et al. is a flow chart illustrating the determination of a strategic asset class mix. The discussion in connection with Fig. 8, see col. 9, line 22 to col. 11, line 21 of Luskin et al., appears to be focused on aspects of determining the asset class mix, but does not

appear to disclose the combination of specific optimization procedures as recited in claim 20. For example, claim 20 recites in part:

> wherein when an optimal solution is found using the second subroutine, performing the third subroutine of re-running the optimization routine to account for minimum investment values.

Luskin et al. clearly does not appear to provide any mechanism for accounting for the fact that certain investments may have minimum investment values. Indeed it appears that Luskin et al. is targeted to a system which is used to determine assets which should be held in a fund, and it would appear that such a system may not even be presented with a situation where it must account for minimum investment values.

At col. 14, lines 63-67 and col. 15, lines 1-25 of Luskin et al. claim language presented. This claim language provides equations related to determining a risk level. The claim language also recites:

> automatically and periodically computing a risk adjusted asset allocation for the assets of each investment fund as a function of the risk level; and
>
> modifying the actual investment allocation of each investment fund to match the risk adjusted asset allocation for the investment fund.

This language from Luskin et al. appears to show that some adjusting of the asset allocation is done based on the risk level, and then modifying the investments in a fund to match this asset allocation. This language does not appear to provide any suggestion for using optimizing routine, which includes the elements recited by claim 20 as shown above.

For ease of reference specific language from claim 20 is shown below:

> wherein the step of performing an optimization comprises performing an iterative non-linear optimization routine, and the optimization routine comprises a first subroutine of attempting to resolve a flat function problem by running the routine with different sets of initial values, and the optimization routine further includes a second subroutine;
>
> wherein when the flat function does not optimize with any of the sets of initial values used in an initial step, the second subroutine is utilized, wherein the second subroutine includes: taking a solution for a best case; and re-running the optimization routine including only those investments with nonzero weights; and
>
> wherein when an optimal solution is found using the first subroutine, performing a third subroutine of re-running the optimization routine to account for minimum investment values; and

wherein when an optimal solution is found using the second subroutine, performing the third subroutine of re-running the optimization routine to account for minimum investment values.

It is respectfully submitted that as shown by the above discussion regarding the passages from Luskin et al., that the Luskin et al. reference does not disclose or suggest performing an optimization which includes an iterative non-linear optimization routine, and the optimization routine comprises a first subroutine of attempting to resolve a flat function problem by running the routine with different sets of initial values, and the optimization routine further includes a second subroutine. Further, Luskin et al. does not provide that when the flat function does not optimize with any of the sets of initial values used in an initial step, the second subroutine is utilized, and the second subroutine includes: taking a solution for a best case, and re-running the optimization routine including only those investments with nonzero weights. Finally Luskin et al. does not provide that when an optimal solution is found using the first subroutine, performing a third subroutine of re-running the optimization routine to account for minimum investment values, and that when an optimal solution is found using the second subroutine, performing the third subroutine of re-running the optimization routine to account for minimum investment values. Thus, it is respectfully submitted that claim 20 is patentable over the Luskin et al.

CONCLUSION

For the reasons set forth above, it is believed that all claims present in this application are patentably distinguished over the references. Therefore, reconsideration is requested, and it is requested that this application be passed to allowance.

Respectfully submitted,

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Receipt is acknowledged of this nonprovisional Patent Application. It will be considered in its order and you will be notified as to the results of the examination. Be sure to provide the U.S. APPLICATION NUMBER, FILING DATE, NAME OF APPLICANT, and TITLE OF INVENTION when inquiring about this application. Fees transmitted by check or draft are subject to collection. Please verify the accuracy of the data presented on this receipt. **If an error is noted on this Filing Receipt, please write to the Office of Initial Patent Examination's Customer Service Center. Please provide a copy of this Filing Receipt with the changes noted thereon. If you received a "Notice to File Missing Parts" for this application, please submit any corrections to this Filing Receipt with your reply to the Notice. When the PTO processes the reply to the Notice, the PTO will generate another Filing Receipt incorporating the requested corrections (if appropriate).**

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Continuing Data as Claimed by Applicant

THIS APPLN CLAIMS BENEFIT OF 60/186,518 03/02/2000

Foreign Applications

If Required, Foreign Filing License Granted 10/23/2000

Title

System and method for tax sensitive portfolio optimization

Preliminary Class

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